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ANDY TOBIN'S PROPOSED AMENDMENT NO. 12

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TIME/DATE PREPARED: December 20, 2016

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COMPANY: Arizona Corporation Commission

AGENDA ITEM NO.: 28

DOCKET NO.: E-00000J-14-0023

OPEN MEETING DATE: December 19th and 20th

Purpose: The purpose of this consolidated amendment is to incorporate several recurring concepts among amendments submitted by various commissioners. This amendment:

1. Establishes that customers with DG systems are to be considered a separate class of customers for ratemaking purposes. (Little No. 12, Tobin No. 6)
2. Expresses the intent of the Commission to modify residential rate design in a manner that mitigates the recognized cost shift caused by the "self-consumption" of customers with DG systems. (Little No. 7)
3. Clarifies that there will be no further netting or banking of exported DG kWh (except for customers with grandfathered DG systems) once a DG export rate is set. (Little No. 11, Stump No. 3, Tobin No. 1)
4. Selects the RCP methodology as the initial means to set the DG export rate in pending electric utility rate cases while Staff's five-year Avoided Cost methodology is being fully developed and also allowing parties to have flexibility in using either the RCP or Avoided Cost methodologies (or a combination of both) in determining the DG export rate formula in subsequent (non-pending) rate cases. (Little No. 6, Stump No. 2)
5. Updates the RCP and Avoided Cost DG export rates in a formulaic exercise on an annual basis. (Little No. 3 and Tobin No. 2)
6. Provides Staff with more time to perform rate case analysis (increases Staff time from 45 days to 90 days) and orders the Hearing Division to issue certain procedural orders for scheduling proceedings (Little No. 4, Tobin No. 7)
7. Establishes that grandfathering for current customers with DG systems interconnected to a utility's distribution system shall last for a period of 20 years from the date of interconnection. (Little No. 10)
8. Expounds on definition of grandfathering for current and future customers with DG systems as it relates to the system and location of the system; provides ability of future customers to "inherit" grandfathered status. (Tobin No. 5)

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9. Provides Cooperatives flexibility to use other value of solar methodologies or modified methodologies adopted in this Decision; instructs Staff, led by a Commissioner appointed by the Commission Chairman, to form a working group with GCSECA and other parties to develop recommendations for rule/policy changes intended to streamline regulatory process for cooperatives; requires a workshop; requires Staff to submit status report of these efforts to the Commission by June 1, 2017. (Little No 5, Tobin No. 9)
10. Limits the DG export rate from exceeding the volumetric portion of the default residential rate. (Little No. 1; Stump No. 2)
11. Establishes that Staff's five-year Avoided Cost methodology will be developed within three years in anticipation of the next cycle of rate cases. (Stump No. 2)
12. Excludes solar+storage and R&D systems from consideration within the RCP methodology. (Little No. 8, Stump No. 2, Tobin No. 4)

On page 146, line 5, **DELETE** "we agree with Staff that..." THROUGH TO THE END OF THE PARAGRAPH.

INSERT:

"and we therefore find that rooftop solar customers can be considered a separate class of customers. The ratemaking implications of this separate class treatment are to be determined in each utility's rate case supported by fully vetted cost of service analysis."

On page 146, line 23, after "2008." **INSERT:**

"Once a customer with a DG system is subject to a DG export compensation rate determined by one of the DG valuation methodologies adopted by this Decision, there will be no further netting or banking of exported DG kWh for that customer."

On page 148, line 12, **DELETE** "combined"

On page 148, line 14, after "proceeding.", **INSERT:**

"However, in the view of the Commission's desire to provide for a gradual transition to the DG export rate concept, the Resource Comparison Proxy methodology shall be implemented as a means to guide DG export rate compensation within currently pending electric utility rate cases. The Resource Comparison Proxy is the appropriate valuation methodology to utilize for pending electric utility rate cases because doing so will afford parties the necessary time to further develop the implementation parameters of Staff's alternative five-year Avoided Cost methodology. Once a five-year Avoided Cost methodology is finalized, parties will have the flexibility to utilize either the Avoided Cost methodology or Resource Comparison Proxy methodology (or a combination of both) in setting a formula for setting the DG export rate in subsequently filed electric utility rate cases for use in annual updates to the export rate."

9. Provides Cooperatives flexibility to use other value of solar methodologies or modified methodologies adopted in this Decision; instructs Staff, led by a Commissioner appointed by the Commission Chairman, to form a working group with GCSECA and other parties to develop recommendations for rule/policy changes intended to streamline regulatory process for cooperatives; requires a workshop; requires Staff to submit status report of these efforts to the Commission by June 1, 2017. (Little No 5, Tobin No. 9)
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On page 148, line 27, after "Staff's", **INSERT**: "alternative"

On page 149, line 23, **DELETE** the following:

"Staff's proposed framework of re-assessing avoided costs in each rate case also"

On page 149, line 23, **INSERT** the following:

"Setting a formula in each rate case for use in annual updates to the export rate"

On page 150, line 2, after "case", **INSERT** "with the inputs updated annually"

On Page 151, Line 15, **DELETE** the sentence beginning "Because the methodology..." and **INSERT** the following:

"However, to allow the export rate developed using this methodology to change gradually, it will be updated annually after it is initially set in a rate case proceeding or separate rate design phase. At the time that the initial DG export rate is set, a Plan of Administration that provides the mechanism for annual modifications to that initial rate also will be adopted. The annual updates accomplished between rate cases should be formulaic exercises where the Resource Comparison Proxy Methodology and the Avoided Cost Methodology established in the rate case is updated. The updated data and model should be provided to Staff by the relevant utility for review; a hearing is not contemplated."

On page 152, **DELETE** lines 3-5 and **INSERT** the following:

"a. For currently pending electric utility rate cases, the utility shall provide the underlying data of the utility that the Resource Comparison Proxy methodology relies upon to Staff pursuant to a procedural order to be issued in those rate cases. For electric utility rate cases not currently pending before the Commission, the data for the selected valuation methodology will be provided to Staff within 30 days of a sufficiency finding."

On page 152, line 18, **INSERT** the following:

d. The Commission may use either the Avoided Cost Methodology or Resource Comparison Proxy Methodology or a combination of both in determining the formula for setting the value of DG. The formula setting the assumptions and weighting of the two methodologies is to be determined in each utility's individual rate case or separate rate design phase. The formula should only be changed within a rate case to allow parties an opportunity to scrutinize the assumptions and weighting of the methodologies. However, once the formula has been set, the inputs to the formula should be updated annually to provide for more measured adjustments. We believe that this will reduce the risk of dramatic changes to customers and the solar industry and is consistent with our interest in rate gradualism.

e. At the time that the initial DG export rate is set, a Plan of Administration that provides the mechanism for annual modifications to that initial rate also will be adopted.

On page 153, line 1, **DELETE** "45", **INSERT** "90"

On page 153, lines 4.5 and 5, **DELETE** "3) File a Request for Procedural Order Setting a Procedural Schedule for Evidentiary Proceedings."

On page 153, line 11.5, **INSERT** "Within 45 days of Staff's receipts of the underlying data the Hearing Division shall issue a Procedural Order Setting a Procedural Schedule for Evidentiary Proceedings."

On page 153, **DELETE** lines 21-26.

On page 153, line 21, **INSERT** the following:

Generally, grandfathering decisions should be made in the context of a rate case. However, we recognize that net metering and certain elements of rate design work together to a certain degree to create benefits for DG customers. The value of DG methodology that we adopt in this proceeding may lead to a change, however gradual, in the compensation rate for solar exports that will be set in pending utility rate cases. Therefore, it is important to make clear that for the first utility rate case in which the value of DG methodology we adopt in this proceeding will be used, our default policy is that the new export compensation rate set in that case, as well as any changes to DG-related rate design, should generally apply only to DG systems that interconnect to a utility's distribution system after the effective date of the Decision issued in that utility rate case. Unless unique circumstances warrant different results, our default policy shall be that DG systems that interconnect to a utility's distribution system before the effective date of the decision issued in that utility rate case should be considered to be fully grandfathered and continue to utilize currently implemented DG-related rate design and net metering for a period of twenty years from the date a DG system is interconnected. Existing customers with DG systems will be subject to currently existing rules and regulations impacting DG.

We also take this opportunity to clarify that this default policy is not intended to shield customers with DG systems from generally applicable rate design changes, such as changes to the basic service charge. It is, instead, intended to preserve the expectations that customers with DG systems may have relied on when they chose to adopt DG technology. We further wish to clarify that our grandfathering concepts are intended to apply to the location where DG equipment is located, as opposed to any specific customer. For example, if a customer with a grandfathered DG system moves to a different home, that customer forfeits his grandfathered status. A customer who moves into a home that has a grandfathered DG system may "inherit" that grandfathered status.

On page 154, line 10, **DELETE** the sentence starting with "We believe..." and **INSERT** the following:

"The value of DG methodologies adopted herein represent our preference for how the value of DG should be assessed and export compensation rates set. However, in cases where providing all the data included in the methodologies is overly burdensome for a Cooperative, we believe it is appropriate to use other methodologies or modified versions of the methodologies adopted herein that address the Cooperative's unique circumstances. The appropriate method for determining DG compensation rates for the cooperatives should be determined on a case by case basis. The Commission has long recognized that the electric cooperatives are quite different than investor owned utilities. They are owned by their members (i.e., their customers) and managed by locally elected boards. Additionally, their service areas are highly rural which can alter their cost profile significantly relative to the investor owned utilities. Because of these

differences, we believe the regulation of the cooperatives by this Commission can be significantly streamlined relative to the investor owned utilities. We have taken significant steps in this direction in the past but recognize that there is further work to do. To recognize this we instruct Staff, led by a Commissioner appointed by the Commission Chairman, to form a working group in conjunction with GCSECA and other parties to develop recommendations for policy and/or rule changes intended to streamline the regulatory process for the cooperatives. It is the intent of this Commission that a workshop be convened for this purpose. Staff shall report back on the status of these efforts by June 1, 2017.”

On page 166, line 19, after "exports." **INSERT** the following:

“Once a DG customer is subject to a DG export compensation rate determined by one of the DG valuation methodologies adopted by this Decision, there will be no further netting or banking of exported DG kWh for that customer.”

On page 166, line 21, after “exports.” **INSERT** the following:

“the DG compensation rates established should not exceed the volumetric portion of the default residential rates.”

On page 167, line 8, after “case”, **INSERT** “and the inputs are updated annually”

On page 167, line 14, after “case”, **INSERT** “and the inputs are updated annually”

On page 167, **DELETE** lines 15-20 and **INSERT** the following new findings of fact:

142. A re-assessment of the value of DG formula in each electric utility rate case with annual updates to the formula inputs in order to inform compensation rates to be paid for DG exports ensures a gradual transition from the current net metering compensation model to compensation that reflects the actual value of DG.

143. A re-assessment of the value of DG formula in each electric utility rate case with annual updates to the formula inputs in order to inform compensation rates to be paid for DG exports precludes the need for the implementation of a separate step-down mechanism.

On page 167, line 25

DELETE: “Adoption of both these methodologies”

INSERT: “Adoption of both of these alternative methodologies”

On page 168, line 7, after “parties.” **INSERT** the following:

“The development of the electronic spreadsheet and its implementation will occur within the next three years in anticipation of the next cycle of rate cases.”

On page 168, lines 18-22, **DELETE**: Findings of Fact 147 and 148

INSERT the following new Findings of Fact:

“147. For currently pending electric utility rate cases, the utility shall provide the underlying data of the utility that the Resource Comparison Proxy methodology relies upon to Staff pursuant to a procedural order to be issued in those rate cases.

148. For electric utility rate cases not currently pending before the Commission, the data for the selected valuation methodology will be provided to Staff within 30 days of a sufficiency finding.”

149. It is inappropriate for utility scale assets that are related to solar + storage to be included in the calculation of the Resource Comparison Proxy methodology. Including these assets could deter utilities from entering into prospective PPA agreements for such resources based on the recognized higher pricing and accompanying compensation rates attributable to such arrangements. A party can argue for the inclusion of such PPA’s as long as the added value of the storage component is appropriately excluded from the analysis. Similarly, PPA’s related to solar arrays that are primarily for R&D purposes should also be excluded from the analysis.

150. More generally, nothing we adopt herein is intended to limit the Commission from adopting any policies regarding energy storage at a future date.”

On page 168, line 23, **INSERT** the following new Findings of Fact:

149. The Commission may use either the Avoided Cost Methodology (when available) or Resource Comparison Proxy Methodology or a combination of both in determining the formula for setting the value of DG. The formula setting the assumptions and weighting of the two methodologies is to be determined in each utility’s individual rate case or separate rate design phase. The formula should only be changed within a rate case to allow parties an opportunity to scrutinize the assumptions and weighting of the methodologies. However, once the formula has been set, the inputs to the formula should be updated annually to provide for more measured adjustments. We believe that this will reduce the risk of dramatic changes to customers and the solar industry and is consistent with our interest in rate gradualism.

150. At the time that the formula is set, a plan of administration that will address the procedural mechanisms for the annual modifications to the initial export rate will also be adopted.

On page 169, line 7, **DELETE** all of paragraph 152, and **INSERT** the following:

“Rooftop solar customers can be considered a separate class of customers. The ratemaking implications of this separate class treatment are to be determined in each utility’s rate case supported by fully vetted cost of service analysis.”

On Page 170, line 1, before "The Cooperatives", **INSERT** the following new Finding of Fact:

"155. While we refrain from commenting on the appropriateness of any particular rate design as part of this proceeding, the Commission is committed to modifying residential rate design in a manner that mitigates the recognized cost shift caused by rooftop solar customers' self-consumption."

On page 170, line 4, **INSERT** the following new finding of fact:

156. In ongoing and future rate cases, the DG compensation rates established should not exceed the volumetric portion of the default residential rates."

On page 170, **DELETE** lines 16-17 and **INSERT** following ordering paragraph:

"IT IS FURTHER ORDERED that: (i) for currently pending electric utility rate cases, the utility shall provide the underlying data of the utility that the Resource Comparison Proxy methodology relies upon to Staff pursuant to a procedural order to be issued in those rate cases and (ii) for electric utility rate cases not currently pending before the Commission, the data for the selected valuation methodology will be provided to Staff within 30 days of a sufficiency finding."

On page 171, line 6; after "rate case." **INSERT** the following:

"Once a DG customer is subject to a DG export compensation rate determined by one of the DG valuation methodologies adopted by this Decision, there will be no further netting or banking of exported DG kWh for that customer."

**RENUMBER ACCORDINGLY, ADD NECESSARY ORDERING PARAGRAPHS, AND
MAKE ALL OTHER CONFORMING CHANGES.****

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed	_____ Not Offered	_____ Withdrawn